Pensions Act 2011

SUMMARY OF IMPACTS

Enactment stage
Produced 21 November 2011

Royal Assent gained 3 November 2011

DWP Department for Work and Pensions

Contents

Executive Summary

1. The measures contained in the Pensions Act 2011 help ensure a pensions system that is fair and financially sustainable. The regulatory changes build on the reforms introduced by the Pensions Acts 2007 and 2008, to respond to shifts to demographic, social and economic contexts since the Acts and to refine existing legislation. This Impact Assessment reflects the content of the Act upon Royal Assent.

2. Further details of the measures contained in the Act are available in the Explanatory Notes which accompany the Act, available from http://www.legislation.gov.uk/ukpga/2011/19/contents/enacted.

3. The Government recognises a responsibility to consider the impact, in terms of costs and benefits, of new regulatory proposals and has a statutory duty to consider whether new regulatory proposals have impacts on individuals that differ by the protected characteristics of race, disability and gender.[1]

4. This note summarises the Impact Assessments (including with respect to equality legislation) for the pension reform provisions contained in the Pensions Act 2011. Individual Impact Assessments for the significant regulatory proposals contained in the Act are at Annexes A-E. A number of measures in the Act have no significant impacts. These measures are summarised at Annex F.

[1] Following the Equality Act 2010, from April 2011 a new public sector equality duty will take effect. This will replace the three current public sector duties (covering race, disability and gender equality) with a duty providing protection against discrimination on the grounds of race, disability, gender, age, gender reassignment, sexual orientation, pregnancy and maternity, and religion and belief (the protected characteristics). Further information is available from the Equalities and Human Rights Commission website at: http://www.equalityhumanrights.com/advice-and-guidance/public-sector-duties/

Background

5. In 2010 the Government announced three significant reviews of pensions policy: into the timing of the increase in State Pension age to 66; of automatic enrolment into workplace pensions; and of public sector pensions.

State Pension age review

6. Under legislation introduced by the Pensions Act 1995, women's State Pension age was due to be equalised with men's, rising from 60 in 2010 to 65 by 2020. Following this, both women's and men's State Pension age would have increased to 66 by 2026 under the Pensions Act 2007. It is then to rise to 67 by 2036, and to 68 by 2046.

7. Since then, official projections of average life expectancy have been revised upwards.[2] Further, the UK economy is recovering from the longest and deepest recession since official records began in 1955.

8. In response to these challenges, in June 2010 the Government issued a Call for Evidence on the timing of the increase in State Pension age to 66. This was followed in November 2010 by the publication of a White Paper outlining the Government's response, and decision to bringing forward the increase to 66.[3]

Making Automatic Enrolment Work review

9. The Pensions Act 2008 introduced a series of private pensions reforms to enable and encourage individuals to save more for retirement, building on the foundation of the State Pension. The 2008 Act was followed by the Workplace Pension Reform Regulations of 2010. These reforms focused on the use of auto-enrolment into workplace pension schemes, from which an individual would need to actively opt-out, to build private saving. This was combined with a minimum employer contribution, and the creation of a pension scheme - now known as the National Employment Savings Trust (NEST) - that could be used by any employer.

10. In 2010, the Government established an independent review into workplace pension reform, *Making Automatic Enrolment Work.* The review examined the scope of auto-enrolment policy (as part of which, whether NEST was necessary). As part of this, the review team undertook a consultation on the scope of reforms and the options for amending the policy.[4]

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[2] DWP analysis based on Office for National Statistics Cohort Life Expectancy principal projections, for average life expectancy for men and women resident in the UK.

[3] The Call for Evidence document, and the subsequent White Paper *A sustainable State Pension: when the State Pension age will increase to 66* are available for download at: www.dwp.gov.uk/spa-66-review

[4] The *Making Automatic Enrolment Work* review report is available for download at www.dwp.gov.uk/docs/cp-oct10-fulldocument.pdf

Measure of inflation

11. In June 2010 the Government announced that it had decided to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for the general measure of inflation for up-rating of social security benefits, State Pensions and public sector pensions. In July it was announced that CPI would also be used for the revaluation and indexation of private sector occupational pensions schemes, increases to Financial Assistance Scheme payments, and the revaluation and indexation of pension compensation. The CPI is considered a more appropriate measure of inflation than RPI, as it is calculated in accordance with a common EU methodology to measure price levels, and is the index used by the Bank of England to measure inflation.

Money purchase benefits

12. On 27 July 2011 the Supreme Court handed down judgment in *Houldsworth and another v Bridge Trustees & Secretary of State for Work and Pensions.* The Supreme Court decided that certain benefits which could develop funding deficits or surpluses could still fall within the definition of 'money purchase benefit'. Parliament had previously legislated on the assumption that a money purchase benefit could not develop a funding deficit or surplus.

13. The effect of the judgment placed some benefits outside the scope of a wide range of legislation, which was put in place to help safeguard members' benefits. Money purchase benefits are not covered by scheme funding or employer debt requirements, nor do they have access to the Pension Protection Fund or the Financial Assistance scheme.

14. In July 2011 the Government announced its intention to legislate to clarify the definition as soon as possible.

Independent Public Service Pension Commission

15. The Independent Public Service Pension Commission's interim report published on 7 October 2010 recommended that the most effective way to make short-term savings on public sector pensions is to increase member contributions.

16. The Government accepted these recommendations, and required members of public sector pension schemes to increase, or to start making, contributions towards the costs of providing pensions under those schemes, which includes the Judicial Pension Schemes.

Summary of regulatory impacts

17. The Pensions Act 2011 largely, therefore, builds on previous legislation, to amend legislation to reflect recent Government decisions, or refine existing legislation in the light of operation.

18. **State Pension age increase to 66** (Section 1)

18.1. The Pensions Act 2011 amends the timetable for the increase to 66, so that State Pension age increases from 65 to 66 between 2018 and 2020. The increase in State Pension age to 66 must be applied to both men and women, to comply with the EU Directive that requires equal treatment of men and women in social security matters. To enable the increase to 66 to be implemented from 2018, the Act also amends the timetable for equalising women's State Pension age with men's so that women's State Pension age rises more quickly from 2016 to reach 65 by 2018.

18.2. The proposed timetable set out in the White Paper (which would have increased the State Pension age to 66 by April 2020) was modified during passage of the Bill. The Act implements the modified timetable which increases the State Pension age to 66 by October 2020.

18.3. This change to the timetable for increasing State Pension age will affect approximately 5 million men and women in Great Britain, of whom approximately 4.5 million will have an increase in their State Pension age, against the legislated timetable, of a year or less. The measure will deliver significant net savings to Government. Some women will see their State Pension age rise by more than a year; however, women will still, on average, claim State Pension for longer than men.

18.4. A full Impact Assessment of the amendment to the timetable for increasing State Pension age is at Annex A.

18.5. There are a small number of consequential amendments in the Act which result from the above proposals. The most significant of these brings forward the date from which the minimum or maximum qualifying ages of certain benefits were due to have been aligned to State Pension age, from April 2024, when the State Pension age would have started to rise above 65 under the legislated timetable, to December 2018, when it will do so under these proposals. This will mainly affect claims for Disability Living Allowance (which cannot currently be awarded where the conditions of eligibility are not satisfied before age 65), Attendance Allowance (where the minimum age condition is currently 65) and awards of Widow's Pension (which currently terminate at 65).

19. **Workplace Pensions reform (automatic enrolment) measures**

19.1. The Pensions Act includes measures to implement the findings of the independent review of automatic enrolment into workplace pensions. These measures concern:

- Changes to the earnings threshold for eligibility for automatic enrolment and the qualifying earnings band on which contributions are paid (Sections 5, 8 and 9);
- The introduction of an optional waiting period of up to three months before the automatic enrolment duty commences (Section 6);
- Simplification of the way an employer can certify that their pension scheme meets the necessary quality test (Sections 12 and 13); and
- A change to the timing of automatic re-enrolment, so that regulations must secure that there is not more than one automatic re-enrolment date in any period of two years and nine months, rather than in any period of three years (Section 7).

19.2. The Act also includes minor amendments that refine automatic enrolment legislation, which will have minimal or no impacts to the overall costs or benefits of the Act. These measures concern:

- Continuity of scheme membership, to clarify the duty on employers to re-enrol employees following change or closure of a scheme (Section 4);
- Transitional arrangements for Defined Benefit and hybrid pensions schemes, to allow employers a choice as to whether they use these arrangements (Section 14);
- Use of a personal pension scheme so that employers may meet their employer duties, where certain conditions of defined benefit and hybrid transitional arrangements cease to apply, and the employer has chosen not to use a money purchase or defined benefit or hybrid scheme to meet that duty (Section 15);
- Power to modify occupational pension schemes, to provide that managers, as well as trustees, of schemes are to modify the scheme so that it complies with the requirements for an automatic enrolment scheme or the requirements as to payment of contributions (Section 16);
- No indemnification for penalties and fines, to ensure that trustees or managers of pensions funds cannot take money out of scheme funds to pay for penalties and fines (Section 17); and
- Rules that govern the service of compliance notice and documents sent by the Pensions Regulator (Section 36).

19.3. The Act also extends or modifies powers relating to automatic enrolment, which have no impact to the overall costs or benefits of the Act. These measures concern:

- Extending an existing reserve power to regulate to cap charges for deferred members in qualifying schemes, as well as active members as the power currently provides (Section 10);
- Provisions made in regulations for the detail of the test scheme (Section 11); and
- A power to make regulations that would exclude individuals that fall under the Cross Border Regulations from automatic enrolment (Section 18).

19.4. Together, the automatic enrolment measures will ease the burden on employers and industry whilst maintaining the key aim of ensuring individuals are able to save for their retirement. They reduce contribution and administrative costs for employers. Annual tax relief and foregone tax revenue to the Exchequer will also fall. The measures are likely to affect women more strongly than men due to underlying inequalities in private pension provision.

19.5. A full Impact Assessment of the automatic enrolment measures is at Annex B.

20. Revaluation and indexation of private sector occupational pensions

20.1. The change to using CPI as the inflation measure for revaluation and indexation of occupational pensions is largely delivered through secondary legislation by the annual revaluation order.

20.2. The measures in the Pensions Act (Section 19) are i) minor amendments which address references to the RPI in primary legislation; and ii) an amendment to ensure schemes which continue to revalue deferred pension or increase pensions in payment by RPI are not required to used CPI in any year it is higher than RPI.

20.3. The amendment to ensure these schemes are not required to use the higher of RPI or CPI will affect the expected value of the pensions of pension scheme members. There will be a corresponding decrease in the expected value of the pensions liabilities of pensions providers.

20.4. A full assessment of the impact of the revaluation and indexation of private sector occupational pensions by CPI is at Annex C. Note that the Impact Assessment at Annex C evaluates the total impact of the change to CPI for both i) revaluation and indexation as delivered by the measures contained within the Pensions Act (the minor impact); and also ii) revaluation as delivered by the annual revaluation order (the major impact).

21. Pensions protection measures

21.1. The Pensions Act 2011 also contains a number of changes to pensions protection legislation concerning to the Pensions Protection Fund (PPF) and the Pensions Regulator (TPR).

21.2. The most significant PPF-related measure concerns the indexation of pension compensation by CPI rather than RPI, to ensure consistency with changes to other pensions indexation (Section 20). The measure in the Act is only in respect of indexation. The change to the revaluation rules for pensions compensation is to be taken forward by regulations.

21.3. Eight further pensions protection measures relating to the PPF amend legislation in light of live running since April 2005 (Section 22). The aims are to reduce unnecessary bureaucracy, time and/or resources; clarify the policy intent; or enhance existing rules. The measures cover:

- Scheme valuations completed before transfer into the PPF
- Reconsideration of schemes that have not transferred into the PPF
- Content of certain determination notices made by the PPF
- Minimum length of a PPF assessment period
- Changes to the requirements associated with certain statutory instruments
- Pension compensation: deferral past normal pension age
- Pension compensation: revaluation of pension credit members

21.4. The Act also contains a measure (Section 26) that amends time periods relating to TPR's anti-avoidance powers, with the aim of ensuring the statutory time periods operate fairly for business particularly in cases with inherent complexity (for example where the companies involve large multi-national or multi-employer groups).

21.5. Taken together, the pensions protection measures in the Pensions Act do not impose burdens on business or others. The PPF estimate that the change to indexation of pension compensation will produce a reduction in their current liabilities. This reduction represents a transfer from current members of the PPF to employers sponsoring defined benefit schemes through a compulsory levy. The other measures in the Act relating to the PPF deliver moderate savings in administrative costs to schemes in a PPF assessment period. Changes relating to TPR will not affect the great majority of businesses, but deliver non-quantifiable benefits.

21.6. An Impact Assessment on the above pensions protection measures is at Annex D. Note that the Impact Assessment evaluates the impacts of both i) the change in indexation of pensions compensation by CPI (as delivered by the measures in the Act); and ii) in revaluation of pensions compensation by CPI (as delivered by regulations).

22. **Judicial pensions measures** (Section 34)

22.1. Judicial pension schemes are constituted in accordance with primary legislation. Section 34 introduces provisions into the current judicial pension schemes (JPS) to allow contributions to be taken from April 2012 towards the cost of providing personal pension benefits to members of those schemes.

22.2. Contributions will only be taken during the period in which the individual judge is accruing full pension benefits (15 or 20 years depending upon the applicable scheme) and in accordance with regulations. However, if the judge retires, resigns or is removed from office during such period contributions will stop being taken from the date he/she leaves office. The rate of contribution has yet to be determined. The provision is expected to deliver savings to Government through reduction in the liabilities of the Judicial Pensions Schemes.

22.3. An Impact Assessment on the above provisions is at Annex E.

23. Other measures

23.1. The Pensions Act 2011 also contains a number of minor or corrective amendments, primarily to private pensions legislation. These measures clarify or change the original policy, or align with further reform proposals; or, in a few cases, are technical amendments to correct inaccuracies in legislation. Consequently, these measures do not introduce significant costs or benefits to the private sector or civil society organisations; or to the public sector over the cost threshold. Therefore individual Impact Assessments of these measures have not been carried out. These measures are summarised in Annex F.

23.2. As noted, full discussion of the measures of the Act is given in the accompanying Explanatory Notes available from http://www.legislation.gov.uk/ukpga/2011/19/contents/enacted.

Summary of costs and benefits

Table 1: Summary of cost and benefit impacts of Pensions Act 2011

Measure: Change to the timetable for increasing State Pension age to 66 (see Annex A for further details)						
Impact assessment period: 2016-2026	Price base year: 2011/12	Total Benefit (Present Value (PV)): £58,000 million	Total Cost (PV): £31,100 million	Net Benefit (Net Present Value (NPV)): £26,900 million	Net Transfer (NPV): £0	Net Resource (NPV): £2,700 million per annum average annual increase in employment income
Details of measure	**Section(s)**	**Impact on Individuals**	**Impact on Employers**	**Impact on Pensions Industry**	**Impact on Government**	**Regulatory burden on business and civil society organisations**
Implement increase in State Pension age for men and women from 65 to 66 between December 2018 and October 2020. Amend the timetable for equalisation of women's State Pension age from 2016, to reach 65 by 2018.	Section 1	Changes to legislated increases in State Pension age will affect approx. 5 million people in GB; the majority will qualify for their State Pension a year later than under the legislated timetable. Net total benefits of approximately £0.1 billion between 2016 and 2026 in: - Transfer costs of £34 billion in reduced pensions-related benefits, and £8.3 billion additional tax and	Negligible and indirect. Note that the State Pension age is distinct to the Default Retirement Age.	Negligible. The measure introduces no new regulatory burden.	Between 2016 and 2026: - Net transfer benefits of £30.6 billion in reduced benefit-related expenditure - Net transfer benefits of £8.3 billion in tax and NICs - Net resource costs of £10 million in administration expenditure	None. This measure introduces no new regulatory burdens on business and civil society organisations.

		National Insurance contributions (NICs) - Transfer benefits of £3.4 billion in increased working-age benefits - Net resource benefits – expected increase in gross employment income of £39 billion.				
Workplace pension reforms (automatic enrolment): various measures (see Annex B for further details)						
Impact assessment period: 2012-2050	Price base: 2011/12	Total Benefit (PV): £11,180 million	Total Cost (PV): £11,020 million	Net Benefit (NPV): £150 million	Net Transfer (NPV): £0	Net Resource (NPV): -£150 million in administration costs to employers
Summary of measures	The package of workplace pension reform measures in the Act is deregulatory in nature. They reduce costs for employers by £170 million a year in contributions, and £6 million a year in ongoing administrative costs. Exchequer costs will also fall: annual tax relief will fall by around £70 million a year and foregone tax revenue will fall by £40 million a year. Unless otherwise stated, the figures presented with respect to workplace pensions reforms are provided as steady state levels in 2011/12 earnings terms.					
Details of measure	**Section(s)**	**Impact on Individuals**	**Impact on Employers**	**Impact on Pensions Industry**	**Impact on Government**	**Regulatory burden on business and civil society organisations**
Introduction of a Waiting Period of up to three months, with opt in during that three months	Section 6	Reduces the number of individuals automatically enrolled by up to 0.5 million. Reduces accumulated savings by up to three	Reduces costs for employers. Saving on administration of at least £3 million per annum, and an estimated saving in contribution	Reduces costs for providers. Fewer small pots to administer and improved persistency of pensions	Reduces Exchequer costs. Saves an estimated £60 million in tax relief, and £40 million in foregone tax revenue,	Reduces burden for employers and industry. Reduces numbers of individuals saving and

		years on average – if all employers operate the maximum waiting period.	costs of £150 million per annum. Relatively larger impact for small and micro employers.	saving.	per annum.	total amounts saved.
Increase Earnings Thresholds	Sections 5, 8, 9	Reduces the number of individuals automatically enrolled by up to 0.6 million. Persistent low earners will already get high replacement-rates from the state pensions system.	Reduces costs for employers. Employers will need to enrol slightly fewer individuals. Avoids employers having to process very small pensions contributions. Estimated savings on employer contributions are £30 million per annum. Estimated savings on administration costs are £3 million per annum. Relatively larger impact on savings for micro employers.	Reduces costs for providers. Providers administer fewer small pots of pensions than under the previously planned reforms.	Reduces Exchequer costs. Saving of £10 million, per annum, each on tax relief and tax revenues foregone.	Reduces burden for employers and industry. Reduces numbers of individuals saving and total amounts saved.
Certification - simplified 3-stage test	Sections 12, 13	Minimal impact – there is a slight risk that some individuals could receive less than the level of contributions currently set out in legislation.	Reduces costs for employers. Allows employers to easily use existing good quality schemes. A simplified test makes it easier for employers to ensure they are compliant with the minimum contribution requirements.	Beneficial. It will be easier for employers to continue using existing pension scheme arrangements.	Negligible impact – it is expected that this will remain broadly the same or potentially higher, depending on how employers take forward their duties.	Provides an easement for employers which should also benefit the pensions industry. No impact on civil society organisations.

Introduce greater flexibility around re-enrolment	Section 7	Whilst certain individuals could be re-enrolled slightly more or less frequently, the average impact should be minimal.	Reduces costs for employers. Greater flexibility will allow employers to undertake re-enrolment at a time that works best for them.	We expect provider profitability to remain broadly the same. However, if all enrolled late, then providers could lose contributions. Could also increase if employers choose to enrol early.	Negligible impact – Exchequer costs remain broadly the same. There could be a slight reduction in Exchequer costs if employers choose to enrol 3 months late. Some may decide to enrol early if this ties in with existing pay arrangement which would lead to a slight increase in Exchequer costs.	Reduces burdens for employers. No regulatory impact on civil society organisations.
Flagging: TPR will ensure that micro employers know that NEST has been designed to meet their needs	N/A – legislation not required	Beneficial. Making the process more straightforward for the smallest employers should improve compliance levels. That will improve the number of individuals who are automatically enrolled into a pension scheme	Reduces costs, particularly for micro employers. Flagging will help micro employers in making a choice about which qualifying scheme to use. It should therefore reduce the burdens of making that choice.	No impact. The industry currently does not serve the segment of the market which will benefit from flagging.	No impact.	Reduces the burden that micro employers face in choosing a qualifying pension scheme. No impact on civil society organisations.
Qualifying schemes – administration charges	Section 10	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Test scheme standard for schemes that produce sum of money for provision of benefits	Section 11	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil

						society organisations.
Power of managers to modify by resolution	Section 16	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Power to exempt certain cross-border employment from enrolment duty	Section 18	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Miscellaneous set of corrective amendments to the Pensions Act 2008	Sections 4, 14, 15, 17, 36	No impact – the changes set out ensure that the intention of the reforms is enacted.				
Up-rating of occupational pensions (see Annex C for further details)						
Impact assessment period: 2010-2070	Price base: 2010	Total Benefit (Present Value): £73,162 million	Total Cost (Present Value): £73,162 million	Net Benefit (NPV): £0	Net Transfer (NPV): £73,162 million from scheme members to scheme sponsors	Net Resource (NPV): Negligible – resource costs less than rounding amount (£50 million) as detailed in Impact Assessment at Annex C.
Details of measure	**Section(s)**	**Impact on Individuals**	**Impact on Employers**	**Impact on Pensions Industry**	**Impact on Government**	**Regulatory burden on business and civil society organisations**
Provision to ensure schemes choosing to increase pensions in payment by RPI are not required to pay the higher of CPI or RPI.	Section 19	The total value of pensions in payment will decrease by £2.4 billion over the lifetime of pensions payable arising from existing	Removing the requirement to pay the higher of RPI or CPI reduces liabilities associated with existing pension rights by £2.4	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.

		Defined Benefit liabilities.	billion.			
Pensions protection measures (see Annex D for further details)						
Impact assessment period: 2010-2070	Price base: 2010/11	Total Benefit (PV): £504 million	Total Cost (PV): £500 million	Net Benefit (NPV): £4 million	Net Transfer (NPV): £0	Net Resource (NPV): £4 million savings in administration costs to employers of 10 year period
Summary of measures	The pensions protection measures which the Bill proposes do not impose burdens on business. The use of CPI in calculating pension compensation payments (for both revaluation and indexation) will lead to lower payments to members over the lifetime of the scheme. However, the reduction in PPF liabilities will lead to the compulsory levy on employers sponsoring Defined Benefit Pension Schemes who fund the PPF being lower than it would have been if revaluation and indexation had remained linked to RPI. The PPF administrative changes deliver moderate savings (less than £500,000 per annum) to schemes in the PPF or an assessment period.					
Details of measure	**Section(s)**	**Impact on Individuals**	**Impact on Employers**	**Impact on Pensions Industry**	**Impact on Government**	**Regulatory burden on business and civil society organisations**
Indexation of pensions compensation by CPI rather than RPI	Section 20	The switch to CPI (for both revaluation and indexation) is expected to lead to lower payments to members over the lifetime of the scheme. The PPF estimate a 4.8% reduction (NPV £500 million) in current liabilities resulting from the change, based on an estimate of 0.5% for the RPI-CPI gap. The £500 million figure relates to all changed	The reduction in PPF liabilities represents an expected transfer of £500 million (NPV) from current members of the PPF to employers sponsoring Defined Benefit Pension Schemes who fund the PPF through a compulsory levy. Correspondingly, the transition period during which the vast majority of the cash flows are changed is expected to	See impact on employers. The PPF has indicated that it will be reducing the pensions protection levy for 2011/12, partly in response to the reduced liabilities it is likely to need to meet in relation to change to CPI.	No impact. No additional costs to Government expected.	None. This measure introduces no new regulatory burdens on business and civil society organisations.

		future cash-flows. However, the vast majority of the changed cash-flows will occur over the next 60 years. Note: the £500 million figure includes revaluation and indexation. The Bill only covers the indexation change, and therefore accounts for only part of this impact.	be approximately 60 years.			
Scheme valuations completed before transfer into the PPF	Section 22	No impact. No additional costs to individuals expected.	(See column on impact to pensions industry)	These proposals combined are expected to deliver estimated savings of less than £500,000 per annum in administrative costs, to both schemes in an assessment period and the PPF. The Impact Assessment (at Annex D) shows that savings of about £500,000 per annum will be achieved from the changes. Whilst there is no	No impact. No additional costs to Government expected	De-regulatory
Reconsideration of schemes that have not transferred into the PPF						
Content of certain determination notices made by the PPF						
Minimum length of a PPF assessment period						
Changes to statutory instruments						

Pension compensation: deferral past normal retirement age Pension compensation: revaluation of pension credit members				specific end-date for these savings which can be applied, it is not reasonable to suggest they will apply over extended time-frames. We believe ten years is a reasonable period to examine and quantify the cost savings over. On this basis the Net Present Value (NPV) of the £500,000 per annum saving for ten years is £4 million (rounded to nearest million).		
Time periods relating to TPR's anti-avoidance powers	Section 26	No impact. No additional costs to individuals expected.	Will not affect the vast majority of businesses. Non-quantifiable benefits to those employers subject of a TPR warning notice.	No additional costs to the pensions industry expected.	No impact. No additional costs to Government expected	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Judicial pensions measures (see Annex E for further details)						
Impact assessment period: N/A	Price base: N/A	Total Benefit (PV): £0	Total Cost (PV): £0	Net Benefit (NPV): £0	Net Transfer (NPV): £0	Net Resource (NPV):£0
Details of measure	**Section(s)**	**Impact on Individuals**	**Impact on Employers**	**Impact on Pensions Industry**	**Impact on Government**	**Regulatory burden on business and civil society organisations**
Require contribution to personal element of judicial pension; take	Section 34	An estimated 2,000 salaried members of judiciary will pay	No impact.	No impact.	Negligible administrative costs to	None. This measure introduces no new regulatory burdens on

power to set rate of contribution.		contributions towards their personal pensions benefits. Contribution rate is yet to be determined. See Impact Assessment at Annex E for contribution scenarios.			Government. Savings from reduced liabilities of Judicial Pension Scheme, equivalent to impact on individuals once contribution rate has been determined. See Impact Assessment at Annex E for contribution scenarios.	business and civil society organisations.

Other measures in the Pensions Act (see Annex F for further details)

Note: the below measures clarify the original policy; grant powers to the Secretary of State; or, in a few cases, are technical amendments to correct inaccuracies in legislation. Consequently, these measures have no impacts on business, or civil society organisations; or costs to the public sector of £5 million or greater; and some measures have no impacts at all.

Details of measure	Section(s)	Impact on Individuals	Impact on Employers	Impact on Pensions Industry	Impact on Government	Regulatory burden on business and civil society organisations
Power to set date for commencement of additional pension consolidation by order	Section 3	Under the original proposals around 11 million people who built up contracted-out pension rights between 1978 and 1997 would have had their State Pension outcomes changed. See Annex F.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Abolition of new Payable Uprated Contracted-out Deduction Increments (PUCODIs) from April 2012	Section 2	Approximately 120,000 people currently entitled to PUCODIs in their own right; and a further 9,000 people, through inherited	No impact.	No impact.	Net total savings of under £1 million per annum between 2011/12 and 2015/16 (2011/12 prices).	None. This measure introduces no new regulatory burdens on business and civil society organisations.

		rights, will no longer receive PUCODIs. See Annex F.				
Financial Assistance Scheme (FAS) – transfer of assets	Section 24	No impact. [Note: this legislation applies to Northern Ireland as well as Great Britain.]	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
FAS – amount of payments	Section 23	No impact. [Note: this legislation applies to Northern Ireland as well as Great Britain.]	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Money purchase benefits – definition of money purchase benefits and supplementary powers	Sections 29, 30, 31, 32, 33	No impact.	No impact.	Around 900 schemes declare themselves to be 'hybrid mixed benefit' schemes[5], which may indicate the number of affected schemes that would benefit from the clarifying of the definition.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Amendments to legislation concerning payments of surplus to employers, to some schemes and in some circumstances	Section 25	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.

[5] Data from the Pensions Regulator

Amendments to legislation concerning the requirement for Cash Balance scheme members to purchase an indexed annuity	Section 21	Expected will affect around 80,000[6] members of cash balance schemes in the UK. See Annex F.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Amendment to enable the Secretary of State to make grants to advisory bodies	Section 35	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Amendment to Pensions Act 2007 with respect to calculation of debts due to contracted-out pension scheme in the event of bankruptcy	Section 27	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.
Amendment to Pensions Schemes Act 1993 with respect to calculation of debts due to contracted-out pension scheme in the event of bankruptcy	Section 28	No impact.	No impact.	No impact.	No impact.	None. This measure introduces no new regulatory burdens on business and civil society organisations.

Notes:

- Figures are rounded to the nearest whole number – see the annexed Impact Assessments for further details. Figures may not sum due to rounding.
- “Negligible” indicates that costs or benefits arise but under are under the rounding threshold for the measure in question, as the separate measures of the Act consider costs and benefits of significantly different scales. See the annexed Impact Assessment of the relevant measure for further details.

[6] An estimated figure based on Barclays scheme membership (around 60,000) plus members of other cash balance schemes (for example Diageo, RSPB, Provident Financial Services, House of Fraser).

Summary of equality impacts

24. Gender

24.1. Women have longer average life expectancy than men; and have faced historical inequalities in pensions provision. Due to these underlying factors, the measures of the Pensions Act 2011 are likely to have a greater effect on women than on men.

24.2. Women's State Pension age currently is lower than men's. The measure to change the timetable for increasing State Pension age to 66 (section 1) will equalise women's State Pension age with men's sooner than currently legislated (reaching 65 in 2018, rather than 2020). This means some women will see an increase in their State Pension age of greater than a year, while the increase in State Pension age will never exceed a year for men. However, female life expectancy is, on average, greater than male.[7] Consequently, women will still, on average, draw their State Pension for longer than men. For a full analysis of the impacts of the increase in State Pension age by gender, see Annex A.

24.3. Women on average have lower earnings than men, due to a number of factors that include working fewer hours, and being employed in lower paying sectors. An increase to the earnings threshold for automatic enrolment (sections 5, 8 and 9) will therefore make women less likely to be part of the group that are automatically enrolled. When taken together, the workplace pension reform (automatic enrolment) proposals mean that the proportion of women in the group eligible for automatic enrolment into a qualifying pension scheme will decrease from 38 per cent to 37 per cent. However, the automatic enrolment reforms as set out in the Pensions Act 2008 will give women substantial opportunities to build provide pension savings in their own right. Government estimates that between nine and ten million people will qualify for automatic enrolment, and of these three to four million are expected to be women. See Annex B for further discussion.

24.4. The change to the indexation of occupational pensions (Section 19) and pensions compensation (Section 20) may have a greater impact on women than on men. See Annexes C and D.

24.5. As of December 2010 there are 2,234 salaried judiciary: 458 women and 1,776 men. Detailed figures show that although there are more male judges overall, there is a more equal split of women and men among younger judges, who may be expected to pay any additional pension contributions for longer. However, these figures would not alter the Government's view that this measure (Section 34) is proportionate in pursuit of a legitimate aim. See Annex E.

[7] Office for National Statistics Cohort Life Expectancy Tables, principal projections.

24.6. Around 94,000 out of the 120,000 people in receipt of PUCODIs in their own right are women. The average received by women is slightly higher than men; but both are around 20p a week. Around 6,000 of the 9,000 in receipt of inherited PUCODIs are women. The average received by women is again similar to men: around 30p a week. All those currently in receipt of PUCODIs, however, will continue to receive them. Consequently, the proposal to abolish PUCODIs for new recipients from April 2012 will have a greater impact on women rather than men in terms of the potential numbers affected. However, the impact is relatively small; and abolition will bring significant benefits in terms of enabling simplification of the State Second Pension and removing ongoing administrative complexities.

25. Race

25.1. There is some evidence that the change to the timetable for increasing State Pension age (Section 1) may have an impact on certain ethnic minority groups. This is due underlying socio-economic factors such as different life and healthy life expectancies, and rates of participation in the labour market. However, evidence is not conclusive. See Annex A for further discussion.

25.2. The workplace pensions reform measures contained in the Pensions Act 2011 are not expected to have a differential effect on black and minority ethnic groups. See Annex B for further discussion.

25.3. The percentage of Black, Asian, and Minority Ethnic (BAME) judges is 2.8 per cent, where diversity data are known. This figure does not include all judges, primarily because diversity data for tribunals judges is currently being updated. However, the Government would not expect a dramatic change to the figures once the full data is available. See Annex E.

25.4. All other measures of the Pensions Act 2011 are not expected to have significant impacts by race.

26. Disability

26.1. The evidence suggests that the change to the timetable for increasing State Pension age to 66 (Section 1) will have a greater impact on disabled people relative to non-disabled people in terms of the probability of adjusting to a new State Pension age, due to relative labour market disadvantage. See Annex A.

26.2. All other measures of the Pensions Act 2011 are not expected to have greater impacts on disabled people when compared to non-disabled people.

Conclusion

27. The Pensions Act 2011 builds upon previous pensions reforms that began to address inequalities in state and private pensions provision, as legislated for in the Pensions Acts of 2007 and 2008. The major measures of the Act respond to recent increases in average life expectancy projections, and economic challenges, to help ensure that the pensions system is fair and financially sustainable. The Act also contains refinements to existing legislation, which will bring greater clarity to a complex pensions system.

28. The legislative proposals of the Act will deliver significant savings to Government, primarily due to changes to the timetable for increasing State Pension age to 66.

29. The Act is deregulatory with respect to burdens on the private sector and civil society organisations. The measures of the Bill will see decreases overall in administrative costs and pensions liabilities for employers and pensions providers.

30. The Act will have costs to individuals affected by State Pension reforms, primarily the increase in State Pension age; measures relating to automatic enrolment into workplace pensions; and measures relating to the indexation of occupational pensions and payments made by the FAS and the PPF. However, about seven million people are not saving enough for their retirement; and recent increases in average life expectancy, and the current economic context, place significant pressure on the pensions system. The State Pension age must reflect increasing longevity to ensure that the state pensions system is financially sustainable, and fair to working-age generations. Automatic enrolment into workplace pensions will enable individuals to save for their retirement, whilst balancing the costs and benefits to individuals and employers.

31. Underlying inequalities exist in average life expectancy, and socio-economic factors associated with different life and healthy life expectancies and rates of participation in the labour market. Consequently, the measures of the Pensions Act are expected to have a differential impact on those affected by these inequalities. However, past reforms of the pensions system began to correct historical inequalities in pensions provision. The Act will help ensure that our pensions system is financially sustainable, in the face of increases in longevity and economic challenges since previous Pensions Acts.